UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/40(2)/L.2/Add.4
27 April 1994

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Fortieth session, second part
Geneva, 18 April 1994

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE SECOND PART OF ITS FORTIETH SESSION

Rapporteur: Mr. Marcel Van der Kolk (Netherlands)

Addendum

ITEM 3: URUGUAY ROUND (continued)

Speakers:
Mexico
Brazil
United States of America
Switzerland
Former Yugoslav Republic of Macedonia
Bangladesh
Austria
Peru
Ukraine
Nigeria
Third World Network

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by Friday, 6 May 1994 at the latest to:

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72. The representative of **Mexico** expressed support for the suggestion that a major analysis and evaluation of the Uruguay Round be made which would allow developing countries and countries in transition to identify clearly problems and opportunities for increasing their participation in the international trade of goods and services. The successful outcome of the Uruguay Round offered the most promising prospects for the expansion of trade, services and capital flows since it established clear rules for all participants. Attention should now be focused on achieving the fullest liberalization of world trade which would bring about a fairer distribution of world income, provided that the reciprocity principle was observed. The agreements signed at Marrakesh would stimulate world economic recovery. They should be complemented by efforts on the part of the international community to intensify cooperation for development as well as by measures taken by countries individually. It was in this spirit that Mexico had entered into free trade agreements, fully convinced that they contributed to strengthening trade liberalization in general.

73. Turning to the future activities of the World Trade Organization, he said that his Government considered that they should concentrate on three areas: first, the deepening of reciprocal trade liberalization; second, improvement of multilateral disciplines in order to eliminate unilateralism and to reverse protectionist tendencies; and third, ensuring an appropriate interaction between competition policies and trade measures, so as to combat unfair practices.

74. With regard to UNCTAD activities, he said that UNCTAD had an important role to play in ensuring that full use was made of the opportunities emerging from a well-ordered multilateral trading system. Such opportunities should be analysed in UNCTAD from the development perspective, taking into account the legitimate aspirations of developing countries. In a preliminary phase, UNCTAD could undertake a detailed analysis of technical assistance needs of developing countries, in particular the least developed countries, to enable them to take full advantage of the Uruguay Round agreements.

75. The representative of **Brazil** considered that the completion of the Uruguay Round was a very important step towards the creation of a truly multilateral institution to deal with international trade. As one of the original signatories of GATT, Brazil had been participating actively in all negotiations since 1947. In accordance with its natural vocation for worldwide international trade, Brazil had played its part in the collective effort to build an open, non-discriminatory and equitable trading system.

76. Referring to the wide-ranging reform programme carried out by his Government to achieve trade liberalization, deregulation and privatization, he stated that virtually all non-tariff measures had been eliminated and the average tariff rate had been reduced from 52 per cent in 1988 to 14 per cent in 1993. The transition

from the import substitution model to a new and open model of economic growth had taken place in an entirely democratic environment and reflected a growing consensus within Brazilian society. The successful outcome of the Uruguay Round was therefore an essential part of the overall strategy to promote the competitive integration of his country in the world economy.

77. In connection with the regional integration processes of both MERCOSUR and the South American Free Trade Zone, he said that the Latin American countries were committed to an open and more supportive international environment, based on stable and fair rules, and to achieving a greater integration of their economies in the international markets. He believed that these regional arrangements were fully compatible with the principles and objectives of the World Trade Organization. Open regionalism should be seen as a complement, not an alternative, to multilateralism.

78. In the view of the Brazilian delegation, the strengthening of multilateral rules and effective restraining of the scope for unilateral action were a crucial achievements of the Uruguay Round. The results should be fully implemented and enhanced in the post-Round phase with a view to providing the necessary stable legal framework for the effective and mutually beneficial conduct of international trade. Brazil attached great importance to the agreements for the reintegration to GATT of textiles and agriculture, which were of special interest for developing countries. Reduction of trade barriers by developed countries would also have a positive impact on Brazilian trade. However, tariff reductions in a variety of products that had considerable weight in the exports of developing countries ran well below average and tariff escalation remained an obstacle to giving free rein to competitiveness.

79. As a major contribution to the success of the Uruguay Round, the developing countries had accepted the challenge of engaging in trade liberalization reform and undertaking increased obligations in the expectation that these efforts would be compensated by improved access to markets. In looking into the post-Round phase of trade relations, he was of the view that one of UNCTAD's main tasks should be to assess how effectively new trade institutions and rules contributed to development. In this endeavour, adequate cooperation and coordination should be promoted between UNCTAD and WTO.

80. With respect to the implementation of the Uruguay Round results, he held that UNCTAD would certainly have a positive role to play in many aspects, inter alia by providing technical assistance. One simple and immediate activity the UNCTAD secretariat could undertake could be the preparation of a checklist of measures, including notifications and their deadlines, that countries would have to perform

as a result of the Uruguay Round agreements. Another area where UNCTAD could make a contribution, perhaps in association with other international organizations, regional associations and WTO, could be the development of a training programme on trade protection instruments, such as anti-dumping or countervailing measures, from both an exporter and importer perspective.

81. The representative of the **United States of America** joined others in welcoming the successful conclusion of the Uruguay Round including tariff reductions of more than 33 per cent, the inclusion of trade in agriculture, intellectual property and services, and improvements in other sectors, all of which would result in developing countries' enjoying increased trade and provide for increased real income and economic development. He looked forward to future UNCTAD and ITC analysis of how developing countries could best take advantage of the Round's liberalization measures. His country believed that the international trading system had a great global market growth potential for the benefit of both developing and developed countries, since the reforms would increase global trade, stimulate foreign direct investment, provide opportunities for developing countries to fuel their domestic economies and expand foreign markets in agriculture, industrial goods and services.

82. In his view, regional cooperation agreements did not detract from what had been accomplished multilaterally and they could in fact serve as building blocks for the multilateral trading system. Its participation in the multilateral and regional arrangements had prepared the United States for the GATT exercise. Similarly, regional arrangements could help smaller economies to expand into global markets through regional markets, thus providing additional development opportunities.

83. With regard to the new issues that would be dealt with in the WTO, the United States looked forward to continuing analytical work and consensus building in UNCTAD, especially in the areas of trade and environment and competition policy. Emphasizing the importance of addressing labour standards in the WTO, he pointed to the need to ensure that working people in all countries shared in the benefits that resulted from agreements to liberalize trade and investment. Developing countries could benefit both directly and indirectly by improving their labour standards and by not competing with one another through the lowering of labour standards in order to attract investment. While the United States had no intent of using labour standards as a pretext for denying developing countries their comparative advantage based on lower labour costs, it was nevertheless concerned that trade competition based on repression of labour standards or denial of workers rights, would act as a subsidy which distorted trade and investment flows.

84. Environmental issues were a matter of high priority for his country and he looked forward to complementary work and good coordination between UNCTAD, the WTO and a number of other international institutions in this field. Having recalled the main elements of the Ministerial Decision on Trade and Environment, he said that an important start had been made in considering trade and environment together in order to ensure that their competing claims did not conflict. The real work must now get under way and produce timely results.

85. The importance of effective competition policies to the operation of a market-based system had long since been recognized in the Havana Charter and the reduction of trade barriers and the globalization of business had significantly increased the importance of effective anti-trust laws and enforcement for achieving access to foreign markets. His country therefore believed that the issue of trade-related competition policy needed to be taken up by the WTO. The United States would continue to work bilaterally and multilaterally to assist developing countries and economies in transition in their efforts to become full participants in the world trading system.

86. The representative of **Switzerland** said that the conclusion of the Uruguay Round would revitalize the world economy, with positive effects on standards of living, employment, optimal use of resources, environment and sustainable development. As far as developing countries were concerned, his authorities were convinced that the long-term result of the Uruguay Round would stimulate their economic development through increasing their exports and foreign direct investment. During the Uruguay Round, participants had realized that the specific interests of individual developing countries could not be dealt with by general solutions. In this perspective, Switzerland, in its bilateral negotiations with developing countries, had taken into account their specific needs and had renounced any attempt to obtain concessions from the poorest among them. Moreover, with respect to concessions in the area of tropical products, Switzerland had made particular efforts.

87. He believed that the least developed countries, most of which were net food importers, were at a disadvantage when it came to deriving benefits from the multilateral negotiations, as was demonstrated by their weak use of GSP schemes. The situation of the least developed countries, therefore, deserved priority attention and common approaches to ensure that they would benefit from the implementation of the results of the Round. The Ministers had recognized in the Marrakesh Declaration the need for specific measures in favour of the least developed countries. Switzerland would implement the Marrakesh decision through its bilateral development cooperation programmes and the competent multilateral organizations. Furthermore, on the basis of studies being undertaken on the

consequences of the Uruguay Round for least developed countries, the Federal Council would adapt its instruments of cooperation and development, including the Swiss GSP scheme.

88. Referring to the heavy tasks before the international community in implementing the results of the Uruguay Round, he stressed inter alia the need to prepare the ground for the examination of possible additional issues in the work programme of the WTO, such as the relation between the trading system and internationally recognized labour standards and the establishment of efficient cooperation between WTO and the other international organizations, in particular those of the United Nations system. A good distribution of tasks between WTO, UNCTAD and ITC was necessary to enable the developing countries to take advantage of the new opportunities offered by the results of the Round. As the President had stated in the general debate, WTO and UNCTAD had distinct functions which were clearly delineated in the Uruguay Round Final Act and the Cartagena Commitment. Through its principal functions of analyses, consensus building and technical cooperation, UNCTAD could make a major contribution to the follow-up of the Uruguay Round.

89. The representative of the **Former Yugoslav Republic of Macedonia** confirmed the intention of his country to become a full member of the GATT and expressed the hope that the negotiations for accession would be successfully concluded by the end of 1994. While regretting that his country, which was a developing country in transition, could not participate in the final stages of the Uruguay Round negotiations, he was confident that it would be able to benefit from the experience of other contracting parties. The agreed GATT Disciplines were very important for small countries like his own. One of the most important tasks of the future WTO would be to make sure that the agreements were observed by all countries. Unilateral actions, such as trade embargoes, should not be allowed.

90. With regard to the distribution of work between UNCTAD and the WTO, he was confident that these organizations would achieve complementarity and that duplication and unnecessary competition would be avoided.

91. As far as his own country was concerned, he recognized the need to establish on a national level the necessary infrastructure to follow the work of the WTO, but technical assistance from the GATT and the UNCTAD secretariats would also be needed for this task.

92. The representative of **Bangladesh** expressed the hope that the Final Act of the Uruguay Round would boost investment, job creation and economic reform and strengthen the rules and disciplines for free and fair competition.

Unfortunately, the concerns of the developing countries had not been adequately reflected in the Final Act although they had extended full support and cooperation to the successful conclusion of the Uruguay Round. He hoped that, in the implementation of the Uruguay Round agreements, the international community would be more responsive to the needs of countries like Bangladesh. In his opinion, UNCTAD should undertake a comprehensive assessment of the results and implications of the Round, particularly for the least developed countries. UNCTAD should also make recommendations for removing any imbalances through appropriate action, including additional trade preferences, development assistance and debt relief.

93. In the Marrakesh Declaration, the Ministers had recognized the importance of special provisions for the least developed countries and had affirmed their intention to assist and facilitate the expansion of their trade and investment opportunities. UNCTAD should therefore take follow-up action on the basis of the Marrakesh Declaration. Referring to the need to initiate considerable preparatory work and action at the country level for the implementation of the results of the Round, he believed that the new issues might be taken up in a phased manner. All the new issues might not necessarily fall within the purview of the WTO. The poor countries required sufficient time to study the implications of new issues and, in order to implement the results of the Round, substantial technical assistance would be needed by countries like Bangladesh.

94. The representative of **Austria** noting with interest the efforts of many developing countries to liberalize their trade and their increasing importance as trading partners. It was particularly encouraging that many of them had recently joined the GATT and others had submitted applications to do so. Most of them should benefit from the market access liberalization achieved so far and all from the strengthening of the legal framework and general expansion of world trade. In his view, an open, non-discriminatory, transparent and effective multilateral trading system helped to avoid unilateralism. Many agreements resulting from the Uruguay Round, including the improved dispute settlement procedures, would help developing countries and, in particular, the least developed among them to secure their rights and facilitate their integration into the international trading system. His country supported the full and active participation of these countries in the WTO.

95. In view of the importance of the textiles and clothing sectors for the balance of payments of many developing countries, he welcomed the integration of these sectors into the GATT, as well as the inclusion of services, TRIMs and TRIPs under multilateral disciplines. Moreover, although a number of developing countries had had doubts about the General Agreement on Trade in Services, the exclusion of this sector would certainly not have been in their interest. He

pointed out that the liberalization of the very sensitive agricultural sector would result in a market reduction of distortions in the world food market and was thus of great importance to those developing countries that were highly dependent on stable revenues in this field.

96. In view of the transboundary nature of environmental degradation, and the fact that adequate environmental policies were a prerequisite for sustainable development, he said that Austria endorsed international dialogue in trade and environment and believed that cooperation and complementarity between GATT, WTO and UNCTAD could secure worldwide benefits in this field. In his view, the relationships between trade and economic policies and social concerns should be looked at closely by the WTO in cooperation with ILO and other organizations, in order to avoid possible abuses of social concerns for protectionist purposes. Since practical solutions facilitating both free trade and social advancement would have to pay special attention to the needs of developing countries, UNCTAD's analytical capabilities and status as a unique forum for confidence building might be of particular relevance.

97. The representative of **Peru** said that the Final Act of the Uruguay Round was the multilateral ratification of a process of trade opening and liberalization which his country had undertaken unilaterally four years ago. This process should now be completed at the international level with wide and equitable market access for Peruvian exports. In general, the results of the Round were satisfactory. The agreed set of rules for the fair settlement of trade disputes would reduce unilateral pressures significantly. Major distortions of trade in the agricultural and textiles sectors had been reduced. A multilateral framework for trade in services had been established and it was expected that market access in this area would be improved.

98. With regard to future work in UNCTAD, he suggested that three types of activities could be undertaken: (a) identifying sectors and products for which improved access and new trade opportunities might arise from the conclusion of the Round; (b) monitoring review mechanisms, safeguard clauses, application requirements, etc.; and (c) UNCTAD should also be a forum for discussion and reflection on new issues emerging in the international agenda.

99. With reference to the social issue, he expressed concern that this issue would be used as a pretext for preserving the trade interests of certain trading partners, rather than for the legitimate defence of workers' rights which had been negotiated in the ILO.

100. The representative of **Ukraine** said that, as a result of many years of negotiations in the framework of GATT, balanced agreements had been reached which laid a solid basis for stable world economic growth. The relevant legal regulations covered not only commodity markets, but also capital markets, investment flows and intellectual property rights. One of the most significant achievements of the Uruguay Round was the agreement to establish the World Trade Organization. For countries in transition, participation in international organizations establishing the mechanisms that regulated the international markets for labour, capital goods and services was a prerequisite of the integration process. This applied first and foremost to the General Agreement on Tariffs and Trade. The standards and procedures adopted by GATT covered the lion's share of world trade and influenced the harmonization of trade regimes of most countries. Thus, the fact that Ukraine was not a member of GATT led to a considerable decrease of trade flows to the country. On the other hand, Ukraine's goods were deprived of their due place on the world markets. This also led to the deceleration of the development of non-discriminatory trade and economic relations with partner countries. The process of Ukraine's accession to GATT and the World Trade Organization was thus of great importance and it was becoming a strong stimulus for the economic and legal reforms in Ukraine.

101. He said that Ukraine was convinced that the Uruguay Round results would not diminish the importance of UNCTAD. The mandate of UNCTAD enshrined in the Cartagena Commitment defined its role and tasks in the area of promoting development through improvement of the system of international trade and economic cooperation. UNCTAD should become a political instrument to ensure the balance of trade and economic interests between developed and developing countries. The main direction of the UNCTAD activity should be the elaboration of optimal trade policies in the interest of developing countries and countries in transition, as well as the provision of political and technical support to these policies. It was also important to make the programmes of technical assistance more concrete and better oriented towards the specific interests of both developing countries and countries in transition. Ukraine needed such support urgently, especially in the harmonization of standards and norms of foreign trade in accordance with the GATT regulations, the process of acceding to GATT, the access to foreign markets for Ukraine's and their protection on these markets. He hoped that Ukraine would receive the necessary technical and advisory assistance from UNCTAD.

102. Finally, he recalled that eight years had elapsed since the Chernobyl catastrophe which had proved to be a huge ecological and technological international disaster. The consequences of this catastrophe were of a lasting nature and their real magnitude could not be established yet. Ukraine hoped that the international community and the United Nations institutions, including UNCTAD,

would continue to make contributions to the international cooperation aimed at alleviating the consequences of the Chernobyl disaster.

103. The representative of **Nigeria** said that the scope of the agreements embodied in the Final Act of the Uruguay Round offered challenges and opportunities for developing countries, particularly the African countries. It should be recognized that immediate gains from trade liberalization would be limited, and even could be negative, owing to erosion of margins of preference. This problem was now widely acknowledged, and if it was not addressed in concrete terms, including through compensatory mechanisms, the gains expected from the Round would bypass his country. Nevertheless he believed that, in the long run, reduced and complete elimination of MFN tariffs offered a far more guaranteed and secure market access than did preferences. In this context, Nigeria fully subscribed to trade liberalization in the Uruguay Round and to strengthened rules to underpin it. Africa needed more imaginative long-term solutions to overcome its competitive disadvantage deriving from dependence on primary exports, a weak industrial and export base and technological backwardness. Without measures to improve supply capabilities in higher value-added exports, to achieve product market diversification, and to increase agricultural production, strengthened trade rules could not be expected to offset the disadvantages facing African countries, which risked further marginalization in the new international trading system if decisive action was not taken to meet these urgent needs in the form of debt relief, targeted improved market access and increased foreign direct investment flows.

104. Another area of concern was the likely negative impact of agricultural trade liberalization on net food-importing countries. African countries lacked the capacity and resources to take advantage of the opportunities that the agricultural reform programme gave rise to. A combination of food aid in grant form and financial and technical assistance to boost agricultural production and productivity would be indispensable in the short and medium term to offset the negative impact. Otherwise, any gains from the agricultural trade liberalization would again bypass Africa.

105. Both the WTO and UNCTAD would have an important role to play in providing technical assistance in building and strengthening the institutional and human resources capacity in order to assist African countries in the implementation of the results of the Uruguay Round. UNDP/UNCTAD's technical assistance to developing countries was outstanding and should be seen as a significant contribution to the success of the Uruguay Round. He requested that UNCTAD, with the financial support of UNDP and other donors, put in place a programme of assistance for Africa, similar to those already operational for Asia/Pacific and Latin America and Caribbean countries. Finally, he called on UNCTAD to continue its technical

assistance in analytical work, particularly on the proposed new issues to be included on the work programme of the Preparatory Committee for WTO.

106. The observer for the **Third World Network** said that developing countries had already paid the price of accepting the new Uruguay Round terms in different areas of interest to the developed countries without obtaining in exchange satisfactory conditions of market access, and there was a substantial contraction in policy options and instruments open to developing countries for development and trade. For the South as a whole the outcome of the Round was imbalanced and unsatisfactory. The Uruguay Round created level playing fields for developed countries and their corporations but raised hills and mountains for most developing countries. As a result, several of the development options for developing countries and their peoples were closed and others made more difficult. He was concerned that the major countries had succeeded in their strategy of combining liberalization abroad with protectionism at home to defend their own interests. This was particularly true in the "new" areas, such as services, investment measures and intellectual property. They had succeeded in demanding reciprocity from developing countries in return for market access for textiles and clothing. The phasing out of the Multifibre Agreement was portrayed as a "concession" to the South, which should be reciprocated.

107. Many developing countries felt disappointed as they had obtained far less than they had expected, in view of the concessions they had made in accepting the new disciplines. He hoped that UNCTAD would conduct a detailed study of the outcome for developing countries in the market access aspect of the Uruguay Round as well as an analysis of the impact of the Round on developing countries and particularly the least developed countries. He also hoped that the UNCTAD secretariat would come up with proposals for effective and continuous monitoring of the effects of the Round on developing countries, for identifying the net losers, and for the means to offset these losses, including through compensatory contractual mechanisms.

108. Many developing countries had signed the Uruguay Round Final Act in the belief that a strengthened multilateral rule-based trading system as institutionalized in the new WTO would guard against nationalist protectionism and unilateral trade sanctions from the North. However, it was still not clear whether the United States would adhere to the primacy of multilateralism under the WTO, or whether it would continue to use unilateral threats or actions, ignoring the WTO's rules. If the latter were to prevail, and Europe and Japan were to create their own unilateral instruments, the South, not having the power of retaliation, would face the worst of all possible worlds. The WTO could be used to discipline developing countries in areas such as intellectual property and investments while

it would be powerless to discipline Northern countries for taking unilateral and protectionist measures.

109. He expressed concerned at the attempt of some Northern governments to introduce new issues into the World Trade Organization such as trade and labour standards, and trade and the environment. In his view, some Northern countries were trying to extend the practice - prevalent during the Uruguay Round - of bringing areas of activity which were not directly trade linked and directly distortive of trade under the control of GATT and the WTO through the simple but devastating device of attaching the prefix "trade-related" to these new issues. By introducing these issues the North was attempting to evade its various obligations, including those of bearing the costs of transition to global sustainable development and ensuring better market access for the South. He argued that, because of its narrow trade focus and its lack of jurisdiction and competence, WTO could not be an appropriate coordinating agency to handle the complex links between trade, environment and sustainable development; and between trade and labour standards. A more suitable forum for integrating these issues would be the United Nations and its agencies such as UNCTAD, the Commission on Sustainable Development, and the ILO. The United Nations should thus provide the forums in which the issues could be discussed in the broader perspective of sustainable and human development, and in a more open and democratic manner. At the end of this process, the WTO could be given the mandate to handle those aspects for which it was deemed to be competent or appropriate.

Chapter II

REVIEW AND EVALUATION OF WORK PROGRAMMES (MID-TERM) */

(Agenda item 7)

1. In the course of the second part of the fortieth session of the Board, the Mid-term Review Informal Working Group held two meetings - the 5th and 6th meetings - under the chairmanship of the Officer-in-charge of UNCTAD.

Action by the Board

[To be completed]

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*/ Item to be concluded at the resumed second part of the fortieth session of the Board (25-27 May 1994).

Chapter IV

ARRANGEMENTS FOR THE CELEBRATION OF THE THIRTIETH ANNIVERSARY OF UNCTAD

(Agenda item 10)

[To be completed]